

# **EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII**

## **Procedures For Tax Shelter Institutions\* To Transfer Funds from 403(b) and 457 Plans For the Purchase of Service Credit**

July 2012 (Rev.)

**\*Refers to 403(b) Tax Shelter Annuity Agents, Tax Deferred Annuity Service Providers and  
457 Third Party Administrators**

## EMPLOYEES' RETIREMENT SYSTEM

**Transfer of Funds from 403(b) Plans [Tax Shelter Annuity or Tax Deferred Annuity]**  
**and 457 Plans [Deferred Compensation]**  
**for the Purchase of Service Credit**  
**[Transfer to 401(a) Defined Benefit Plan]**

### PROCEDURES

***These procedures and sample forms are intended for use by the 403(b) Tax Shelter Annuity Agents, Tax Deferred Annuity Service Providers and 457 Third Party Administrators. Please do not distribute the sample forms or banking information to our members.***

1. Member requests to purchase service credit by submitting appropriate forms to the ERS
2. ERS provides the Member with Form ERS-26 (*Form 26*) that provides the purchase amount
3. Member transmits the completed *Form 26* and Attachment A to the Tax Shelter Institution\* (TSI), if the Member elects to purchase his/her service credits using 403(b) or 457 funds (item 1(b) of Form ERS-26)
4. TSI processes the Member's request (in accordance with TSI's processing procedures, e.g., funds liquidation and transfer forms, approval of applicable forms with government agency, if applicable)

Funds transferred must be received in the ERS' bank account within 60 days of the date indicated on *Form 26* **and** prior to the Member's retirement. Wire transfer of funds is recommended. If payment is made by check, make check payable to the Employees' Retirement System.

5. Five days prior to the transfer of funds, the TSI will send the following via facsimile transmission to the ERS:
  - a. A completed facsimile transmission form, attached
  - b. A completed *Form 26* for each of the Members listed on the facsimile form
  - c. The total amount on the facsimile form must equal the total of the individual *Form 26s*
6. ERS will send a confirmation of receipt of funds to the Member

*See attached for ERS contact and wire information*

\*Tax Shelter Institution refers to 403(b) Tax Shelter Annuity Agents, Tax Deferred Annuity Service Providers and 457 Deferred Compensation Plan Administrators.

## EMPLOYEES' RETIREMENT SYSTEM

**Transfer of Funds from 403(b) Plans [Tax Shelter Annuity or Tax Deferred Annuity]  
and 457 Plans [Deferred Compensation]  
for the Purchase of Service Credit  
[Transfer to 401(a) Defined Benefit Plan]**

### ERS CONTACT AND WIRE INSTRUCTIONS

**Cash Management Section Contacts for Transfer of Funds Only:**

Cullen Fujimoto	Supervisor	(808) 586-1725	Email: fujimotoc@hiers.org
Virgie Jaralba	Account Clerk	(808) 586-1650	Email: jaralbav@hiers.org
Benita Manog	Accountant	(808) 586-1724	Email: manogb@hiers.org
	Facsimile Ph #:	(808) 586-2882	
	Alternate Fax Ph #:	(808) 586-1677	

**Wire Instructions:**

Tax Shelter Institutions should request for instructions through e-mail to all Cash Management Section personnel listed above.

**Assistance on Purchase of Service or Retirement Benefits:**

(808) 586-1736

**Assistance on Implementation of EGTRRA provisions:**

Larry Wolfe

(808) 586-1721

Email: wolfel@hiers.org

**[FORM 26 SAMPLE]**

**ELECTION TO PURCHASE SERVICE CREDIT BY LUMP SUM PAYMENT**

**[DATE]**

[FIRST NAME][MI][LAST NAME]  
[STREET ADDRESS]  
[CITY], [STATE] [ZIP CODE]

Re: [XXX-XX-XXXX]  
Entity: [ENTITY]

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Credited Service: [XX] months Amount: \$ [AMOUNT]  
Based on salary of: \$ [AMOUNT]

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Please indicate your method of payment and sign below.

(Note: All payments to purchase service must be made prior to your retirement.)

**(1) LUMP SUM PAYMENT**

Please Select your method of payment and follow the instructions below:

\_\_\_\_\_ (a) Personal check:

- o Make check payable to: EMPLOYEES' RETIREMENT SYSTEM
- o Complete and sign the bottom of this page
- o Attach your check to this form and mail to our office in the enclosed self addressed envelope

OR

\_\_\_\_\_ (b) Transfer of Tax Sheltered Funds:

- o Complete and sign the bottom of this page
- o **Forward this form and Attachment A** directly to your 403(b) Tax Shelter Annuity Agent, Tax Deferred Annuity Service Provider or 457 Deferred Compensation Plan Administrator. Wire transfer of funds is recommended. If payment by check, make check payable to: EMPLOYEES' RETIREMENT SYSTEM.

LUMP SUM payments must be received in the ERS office within 60 days of this notice; otherwise, your payment amount must be recalculated based on your current salary.

Employee's  
Signature \_\_\_\_\_ Date: \_\_\_\_\_ Day Phone: \_\_\_\_\_

Department: \_\_\_\_\_ Division: \_\_\_\_\_

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**FOR TSA AGENTS or TDA SERVICE PROVIDERS ONLY**

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Attachment A Transfer instructions are available at the ERS website <http://ers.ehawaii.gov/resources/all-publications>

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**FOR ERS ONLY**

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The Employees' Retirement System of the State of Hawaii is a qualified pension plan under the Internal Revenue Code section 401(a).

\_\_\_\_\_  
ERS Authorized Signature

\_\_\_\_\_  
Date

COPY TO ATTACH TO YOUR CHECK OR TO FORWARD TO YOUR TAX SHELTER INSTITUTION

## FACSIMILE TRANSMITTAL SHEET

TO: Cullen Fujimoto/Virgie Jaralba/Benita Manog

FROM:

COMPANY:  
Employees' Retirement System

DATE:

FAX NUMBER:  
(808) 586-2882 Primary  
(808) 586-1677 Alternate

TOTAL NO. OF PAGES INCLUDING COVER:

PHONE NUMBER: Area code (808)-  
586-1725 / 586-1650 / 586-1724

Sender's Fax No.:

Sender's Phone No.:

RE:

### NOTICE OF TRANSFER OF TAX SHELTERED FUNDS TO PURCHASE SERVICE CREDITS

On \_\_\_\_\_, funds for the following members will be wired (recommended), or a check will be prepared to the ERS. These members have authorized our firm to transfer funds to the ERS for the purpose of purchasing service credits. The ERS Form(s) 26, page 1 are attached to this facsimile:

	Name	SSN	Amount
1	_____	_____	_____
2	_____	_____	_____
3	_____	_____	_____
4	_____	_____	_____
TOTAL			_____

### Certification by the Tax Sheltered Institution

Name \_\_\_\_\_

Plan type:

☐ 403(b) ☐ 457

Address \_\_\_\_\_

☐ Other

City, State, Zip \_\_\_\_\_

( ) \_\_\_\_\_

Telephone Number \_\_\_\_\_

I certify that the funds to be transferred to the Employees' Retirement System of the State of Hawaii are eligible for transfer from a plan qualified under Sections 403(b) or 457 of the Internal Revenue Code with the understanding that the funds will be used to purchase service credit as determined by the Retirement System.

Authorized representative \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

THIS MESSAGE IS INTENDED ONLY FOR THE USE OF THE INDIVIDUAL OR ENTITY TO WHICH IT IS BEING ADDRESSED AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED OR CONFIDENTIAL. If the reader of this message is not the intended recipient, or the employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that any dissemination, distribution, or copying of this communications strictly prohibited. If you have received this communication error, please notify us immediately by telephone and return the original fax transmission to us at the above address via the U.S. Postal Service. Thank you.

## EMPLOYEES' RETIREMENT SYSTEM

### PURCHASE OF SERVICE

#### BY TRANSFERRING YOUR TAX SHELTERED FUNDS TO YOUR ERS ACCOUNT

[403(b) Tax Shelter Annuity or Tax Deferred Annuity and 457 Deferred Compensation Plans]

### QUESTIONS AND ANSWERS

**1. Is this method of payment to purchase eligible member service credit a new feature?**

Yes. A provision of the Federal Economic Growth and Tax Relief Reconciliation Act (EGTRRA) allow plans like the ERS to accept monies from deferred compensation plans (DCP) and tax sheltered annuity (TSA) or tax deferred annuity (TDA) plans to purchase allowable service credits.

**2. How will I benefit from this law?**

The law provides an additional source of monies for the purchase other than using the member's savings accounts or taking out a loan.

In addition, there may be a tax benefit using DCP, TSA or TDA funds to purchase your service credit. For example, pension benefits are nontaxable for State of Hawaii income tax; therefore, the sheltered or deferred monies that you would have eventually paid State of Hawaii taxes on become tax free.

**3. How do I transfer funds from my DCP, TSA and TDA plan to the ERS?**

You must sign and complete the ERS' Form ERS-26, page 1 and mail or deliver it to your DCP Plan Administrator, TSA Agent or TDA Service Provider.

**Important:** Please give your DCP Plan Administrator, TSA Agent or TDA Service Provider sufficient time to transfer funds to the ERS within 60 days from the date of the ERS' Form ERS-26, page 1 or prior to your retirement date, whichever is earlier. Failure to meet this deadline will result in the re-computation of the purchase amount or inability to purchase service after your retirement date.

**4. Is this the best method for me to purchase my eligible service credit?**

We recommend that you contact your financial or tax advisor to determine the best alternative for your situation.